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Government Ownership of the Railroads

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THE ARGUMENT AGAINST GOVERNMENT
OWNERSHIP OF THE RAILROADS

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The Peril of Government Ownership!

Any discussion of the question of government ownership of rail transportation agencies involves of necessity a consideration of the fundamental guaranties which are the very basis of the Constitution of the United States. We can adduce certain theories from the facts and experience that are available, but in the final analysis it is the simple justice of the question that must be studied. This article will include a presentation of this phase of this much discussed subject and will, in addition, include conclusions that can be drawn logically in the light of available data.

Next to the guaranty of the right of life, liberty and the pursuit of happiness, probably the most important provision of the bill of rights of the Constitution of the United States is that section which is intended to protect the rights of individual citizens in private ownership of property.

*RAILROADS ARE PRIVATE PROPERTY

Railroads are the private property of hundreds of thousands of investors and despite the fact that railroads are public service institutions engaged in a most necessary work, the rights of the owners should receive a great deal more consideration than some of the proponents of nationalization of the railroads are willing to concede.

Nationalization of railways undoubtedly would be followed by government or at least public ownership of street railways; and other classes of property also would be affected eventually, either directly or indirectly. As a matter of fact, government ownership of railways is a purely socialistic matter when calmly analyzed and in a country such as ours, committed to a demo-

*This and other sub-headings did not appear in original article.

cratic form of government, any step in that direction is fraught with danger.

Most of the advocates of government ownership fail to include in their theories any practical plan for putting their design into effect. It is a significant fact that virtually all of the proponents of such plans are politicians and many of them are frankly appealing to a supposedly popular prejudice that they, themselves, have fostered. It is a comparatively easy matter to talk abstractly about the supposed benefits that would accrue as a result of the government taking over the transportation systems, but these men have not yet told their audiences that should they succeed in their plans, the country would need to take up and carry a great many new and heavy burdens.

Our Constitution provides that the property of private citizens may not be confiscated, even during a period of war or time of stress, without due process of law and not then without compensating the owner for the value of the property taken. In the case of the railroads, this item alone would amount to at least \$21,000,000,000; for the government itself, after a long and most expensive survey, has decided tentatively for rate making purposes that the approximate value of the Class One railroads of the United States in 1920 was \$18,900,000,000 and since that time, there has been approximately \$2,000,000,000 more invested in them in the form of additions and betterments and permanent improvements.

HUGE FINANCES INVOLVED

Conceding that nationalization of the railways would be followed by public ownership of street railways, the value of these properties also must be considered. According to the best available statistics, the value of such properties is in excess of \$5,100,000,000. In other words, in order to discuss nationalization of transportation in a practical way, there must first be considered the problem of financing an additional burden of debt that would exceed \$26,000,000,000.

The only way the government could meet such a necessity is by the issue of bonds. Such bonds would bear interest that would need to be paid and the money with which to meet the interest on such a bonded indebtedness would need to be guaranteed by the government. That means that should the carriers fail to earn a sufficient profit to meet the interest payments, that money would need to be raised by taxation.

The principal argument in favor of government ownership is that under Federal control, rates could be reduced to the shipping and traveling public. The government could of course, arbitrarily fix the lower rates schedules, but if lower schedules are fixed than those now in effect, there would be an additional deficit that would also need to be met by taxation.

It is inconceivable that under political control any economies of operation could be recorded as compared with the highly competitive system now in force. The efficiency of private management has been so thoroughly demonstrated in the last year and a half, that an extensive discussion of that is unnecessary.

COMPETITION WOULD BE STIFLED

Granting then that government ownership of the railroads would be a most costly experiment, viewed from any angle, let us consider for a moment the benefits that might accrue to the shipping and traveling public, even at the increased cost. Government operation of the railways would automatically bring about a monopoly that would stifle competition and individual effort. This would, of course, be reflected in the efficiency with which the properties would be operated. Without the urge of competition, service would be certain to suffer.

A greater menace than deteriorated service is that condition which would result from political control with regard to preferential treatment for favored communities and sections. The most powerful politicians naturally would seek and obtain for their respective constituencies, the most favored treatment,

in many instances irrespective of the necessities of the industries and sections served by less able representatives in Congress.

Another grave danger that ought to receive some very thoughtful consideration is that of placing in the hands of a few politicians a potential political machine that would make our postal service shrink into insignificance in comparison. It is even conceivable that political preference might be a determining factor in the selection of men for most important and dangerous posts of duty and trust.

There are approximately 2,000,000 men engaged in railroad service in America today. Another million is engaged in related industries that are directly dependent on the railroads. Figuring five persons to a family, we arrive at a total of 15,000,000 persons directly dependent on the transportation industry. It is a very dangerous thing to place 15 per cent of the population of the United States in such a position at a single stroke.

Another side of the taxation tangle that would result is disclosed in a study of the taxes the railroads now pay to the national, state and local governments. This one item alone has now reached the enormous total of more than \$300,000,000 a year. The government does not tax its own property, therefore this sum would need to be distributed among the remainder of the already overburdened taxpayers.

RAILROADS BEAR HEAVY TAX BURDEN

In many counties through which the Missouri Pacific operates, the tax bills alone exceed \$100,000 a year. Suppose that sum had to be assumed by the farmers and other taxpayers in those counties in addition to the taxes they already are paying. What would happen?

Comparisons with other countries where nationalization of railways has been attempted are not always applicable, but it

is significant that the records show that in every case, one result has been an increase in rates.

The very fact that our standards of living and wages are so much higher in this country than in old world countries is in itself a serious subject for study. Our government would need to assume a tremendous responsibility in the matter of relations with railroad employees. It is not to be believed that railroad workers would ever consent to reductions in their earnings that would place them on a level with other government employees, for example. And yet, if railroad wages were permitted to remain at or near their present level, other government employees would feel justified in demanding, and probably would obtain, increases that would place them on a parity.

There is no desire to discuss our recent experiment in government operation of railways in this article. Granting, for the sake of the argument that experiment was conducted under most unfavorable and trying conditions, every person at all familiar with the matter knows that there were many insurmountable obstacles to success encountered. We have been fed with figures on the cost of that experiment and the press has been filled with reports of the results. The facts are available to all and any right thinking person who will make a serious study of that episode in our history will admit that the danger signals were plainly placed by it.

MUCH CAPITAL REQUIRED

It is generally known that even after the Government had immediately raised the rates—a thing they had refused to do for the railways before the period of Federal control—there was created a deficit that cost the taxpayers approximately \$46,000,000 a month, or \$1,200,000,000 during the twenty-six months of Federal control. These figures are in themselves staggering totals. Partly as a result of the failure of the Government to purchase the necessary additional equipment and provide other facilities, and partly as a result of the

normal development and growth of railway transportation, the railroads of America are spending this year more than a billion dollars for new locomotives, freight cars, main running tracks, passing tracks, yard tracks, and other facilities and equipment. This rate of expenditure must be maintained for years to come if the railroads are to keep pace with the progress of the country.

The foregoing are only a few of the many problems connected with nationalization of the railways which these socialistic advocates of the plan fail to discuss or explain to the satisfaction of the average citizen. In view of these facts, it is not necessary to point out that these men are, for the most part, more or less visionary theorists who are incapable of facing and solving these problems.

Our great railroads of today are the result of the life work of our real empire builders. It was the railroads that made America the greatest among nations. Any child can visualize what would happen if our railroads were all to cease operating for a period of a week, but the disaster that would follow their utter cessation of operation is almost greater than the imagination can grasp. Any lessening of the efficiency will bring about similar deplorable conditions, the scope of the damage depending on the degree of lessened efficiency.

Our railroads are admittedly the greatest factor in the development of our country. And that development is only begun. If it is to be continued, railroads, managed by individuals of foresight, must keep pace with the progress of the country. In fact, the railroads must keep a few steps ahead of the procession. Under nationalization control it is only natural to expect that those already established centers of great wealth and political power would be most favored and our national development be retarded irreparably.

NO JUSTICE IN PROPOSALS

With regard to the simple justice of the matter—there isn't

any. Those hardy pioneers who pushed steel rails into the wilderness and across the barren spaces took long chances. They expected and were entitled to commensurate returns. In the next period of our railroad history, it is admitted that there were some abuses. But is there an industry in the world that has not been afflicted with some abuses?

In more recent years, after suffering almost every imaginable kind of oppression and regulation, except actual confiscation, the railroads have been subjected to attack from every quarter. In spite of this, because transportation is our greatest basic industry with the single exception of agriculture, railroad securities have come to be regarded as among the most legitimate of investments. As a result, insurance companies, trust companies, estates and hundreds of thousands of private investors have put their money into railroad securities. These investors are entitled to at least a measure of consideration at the hands of their government.

Our country has grown great and strong under our Constitution and laws, principally because of the protection it has afforded its citizens. It should continue to grow so long as our Constitution is held inviolate. When that Constitution is scrapped by demagogues, political opportunists, or well meaning but totally ineffective theorists, then we can look forward to an era such as has devastated a number of formerly prosperous countries that have tried mob rule, minority dictatorship, communism and nationalization of private property of individuals.

WE NEED LESS INTERFERENCE

Former President Harding told the entire story when he remarked that what America needs most is "More business in government and less government in business." That is as true of the railroads as of any other class of property or any other industry. Under the Transportation Act of 1920 the railroads, for the first time in a number of years, are beating

back to normal state of efficiency and placing themselves in a position to give to the public what the public needs and wants—more and better transportation service. This is possible partly because to a certain extent the power to tinker with the very vitals of the railroads is taken from the forty-eight commissions and forty-eight state legislatures and vested in a central body that is in a position to do its regulating with a view to the needs of the entire country, taken as a whole.

It is hoped that every right thinking man and woman in America will give serious thought to this most important question. If the great majority of sane, intelligent, clear-thinking American public will do that, there is no need to fear that the reformers, the theorists, the designing politicians, the demagogues and the avowed radicals will be able to wreck our second greatest industry and by so doing work untold damage to our National prosperity and our status as the outstanding example of success as a nation in civilization and progress.

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